UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended July 29, 2000**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-10738

# ANNTAYLOR STORES CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **13-3499319** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| **142 West 57th Street, New York, NY** | **10019** |
| (Address of principal executive offices) | (Zip Code) |

**(212) 541-3300**
(Registrant's telephone number, including area code)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ___ No ___.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class | Outstanding as of August 25, 2000 |
|---|---|
| **Common Stock, $.0068 par value** | **28,772,889** |

## INDEX TO FORM 10-Q

# PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

**ANNTAYLOR STORES CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**For the Quarters and Six Months Ended July 29, 2000 and July 31, 1999**
**(unaudited)**

| | Quarters Ended | | Six Months Ended | |
|---|---|---|---|---|
| | July 29, 2000 | July 31, 1999 | July 29, 2000 | July 31, 1999 |
| | (in thousands, except per share amounts) | | | |
| Net sales | $ 306,252 | $ 265,747 | $ 583,320 | $ 515,147 |
| Cost of sales | 162,444 | 139,842 | 290,916 | 257,905 |
| Gross profit | 143,808 | 125,905 | 292,404 | 257,242 |
| Selling, general and administrative expenses | 116,049 | 97,761 | 240,146 | 195,584 |
| Amortization of goodwill | 2,760 | 2,760 | 5,520 | 5,520 |
| Operating income | 24,999 | 25,384 | 46,738 | 56,138 |
| Interest income | 806 | 1,397 | 1,270 | 2,118 |
| Interest expense | 1,830 | 2,660 | 3,626 | 7,702 |
| Other expense/(income), net | 13 | (7) | 19 | (6) |
| Income before income taxes and extraordinary loss | 23,962 | 24,128 | 44,363 | 50,560 |
| Income tax provision | 10,536 | 10,755 | 19,655 | 22,432 |
| Income before extraordinary loss | 13,426 | 13,373 | 24,708 | 28,128 |
| Extraordinary loss (net of income tax benefit of $641,000) | --- | 962 | --- | 962 |
| Net income | $ 13,426 | $ 12,411 | $ 24,708 | $ 27,166 |
| Basic earnings per share of common stock | | | | |
| Basic earnings per share before extraordinary loss | $ 0.47 | $ 0.47 | $ 0.86 | $ 1.03 |
| Extraordinary loss per share | --- | 0.03 | --- | 0.04 |
| Basic earnings per share | $ 0.47 | $ 0.44 | $ 0.86 | $ 0.99 |
| Diluted earnings per share of common stock | | | | |
| Diluted earnings per share before extraordinary loss | $ 0.45 | $ 0.42 | $ 0.83 | $ 0.92 |
| Extraordinary loss per share | --- | 0.03 | --- | 0.03 |
| Diluted earnings per share | $ 0.45 | $ 0.39 | $ 0.83 | $ 0.89 |

***See accompanying notes to condensed consolidated financial statements.***

# ANNTAYLOR STORES CORPORATION
## CONDENSED CONSOLIDATED BALANCE SHEETS
## July 29, 2000 and January 29, 2000
**(unaudited)**

| | July 29, 2000 | January 29, 2000 |
|---|---|---|
| ASSETS | (in thousands) | |
| Current assets | | |
| Cash and cash equivalents | $ 34,602 | $ 35,081 |
| Accounts receivable, net | 67,092 | 67,092 |
| Merchandise inventories | 154,691 | 140,026 |
| Prepaid expenses and other current assets | 34,210 | 29,390 |
| Total current assets | 290,595 | 271,589 |
| Property and equipment, net | 195,584 | 173,639 |
| Goodwill, net | 303,139 | 308,659 |
| Deferred financing costs, net | 4,833 | 5,358 |
| Other assets | 7,284 | 5,872 |
| Total assets | $ 801,435 | $ 765,117 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | $ 62,863 | $ 56,175 |
| Accrued salaries & bonus | 15,947 | 23,297 |
| Accrued tenancy | 9,066 | 7,800 |
| Gift certificates and merchandise credits redeemable | 12,586 | 15,618 |
| Accrued expenses | 26,019 | 16,031 |
| Current portion of long-term debt | 1,349 | 1,300 |
| Total current liabilities | 127,830 | 120,221 |
| Long-term debt, net | 115,346 | 114,485 |
| Deferred lease costs and other liabilities | 15,427 | 14,789 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Common stock, $.0068 par value; 120,000,000 shares authorized; 31,784,697 and 31,598,423 shares issued, respectively | 216 | 215 |
| Additional paid-in capital | 473,770 | 470,307 |
| Retained earnings | 162,438 | 137,730 |
| Deferred compensation on restricted stock | (3,204) | (2,246) |
| | 633,220 | 606,006 |
| Treasury stock, 3,028,712 and 3,028,448 shares, respectively, at cost | (90,388) | (90,384) |
| Total stockholders' equity | 542,832 | 515,622 |
| Total liabilities and stockholders' equity | $ 801,435 | $ 765,117 |

***See accompanying notes to condensed consolidated financial statements.***

## ANNTAYLOR STORES CORPORATION
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
## For the Six Months Ended July 29, 2000 and July 31, 1999
**(unaudited)**

| | Six Months Ended | |
|---|---|---|
| | July 29, 2000 | July 31, 1999 |
| | (in thousands) | |
| Operating activities: | | |
| Net income | $ 24,708 | $ 27,166 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Extraordinary loss | --- | 1,603 |
| Provision for loss on accounts receivable | 595 | 481 |
| Depreciation and amortization | 16,521 | 15,205 |
| Amortization of goodwill | 5,520 | 5,520 |
| Non-cash interest | 2,114 | 985 |
| Amortization of deferred compensation | 1,159 | 382 |
| Loss on disposal of property and equipment | 859 | 885 |
| (Increase) decrease in: | | |
| Receivables | (595) | 4,832 |
| Merchandise inventories | (14,665) | 2,360 |
| Prepaid expenses and other current assets | (4,820) | (3,122) |
| Increase (decrease) in: | | |
| Accounts payable | 6,688 | (3,117) |
| Accrued expenses | 873 | (15,939) |
| Other non-current assets and liabilities, net | (744) | 1,082 |
| Net cash provided by operating activities | 38,213 | 38,323 |
| Investing activities: | | |
| Purchases of property and equipment | (39,357) | (27,486) |
| Net cash used by investing activities | (39,357) | (27,486) |
| Financing activities: | | |
| Issuance of common stock pursuant to Associate Discount Stock Plan | 996 | --- |
| Payments on mortgage | (638) | (593) |
| Proceeds from exercise of stock options | 352 | 8,853 |
| Activity related to common stock issued as employee incentives | (4) | --- |
| Redemption of 8¾% Notes | --- | (101,375) |
| Redemption of Company Obligated Mandatorily Redeemable Convertible Preferred Securities | --- | (100) |
| Proceeds from issuance of Convertible Debentures due 2019 | --- | 110,000 |
| Payment of financing costs | (41) | (4,050) |
| Net cash provided by financing activities | 665 | 12,735 |
| Net increase (decrease) in cash | (479) | 23,572 |
| Cash and cash equivalents, beginning of period | 35,081 | 67,031 |
| Cash and cash equivalents, end of period | $ 34,602 | $ 90,603 |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash paid during the period for interest | $ 1,216 | $ 6,423 |
| Cash paid during the period for income taxes | $ 22,411 | $ 19,956 |

***See accompanying notes to condensed consolidated financial statements.***

**ANNTAYLOR STORES CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(unaudited)**

## 1. Basis of Presentation

The condensed consolidated financial statements are unaudited but, in the opinion of management, contain all adjustments (which are of a normal recurring nature) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. All significant intercompany accounts and transactions have been eliminated.

The results of operations for the 2000 interim period shown in this report are not necessarily indicative of results to be expected for the fiscal year.

The January 29, 2000 condensed consolidated balance sheet amounts have been derived from the previously audited consolidated balance sheet of AnnTaylor Stores Corporation (the “Company").

Certain Fiscal 1999 amounts have been reclassified to conform to the Fiscal 2000 presentation.

Detailed footnote information is not included for the quarters ended July 29, 2000 and July 31, 1999. The financial information set forth herein should be read in conjunction with the Notes to the Company's Consolidated Financial Statements contained in the AnnTaylor Stores Corporation 1999 Annual Report to Stockholders.

## 2. Net Income per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share assumes the issuance of additional shares of common stock that are issuable by the Company upon the conversion of all outstanding warrants, stock options, and convertible securities. Basic and diluted earnings per share calculations follow:

[Tables on next page]

## 2. Net Income per Share (continued)

| | Quarters Ended | | | | | |
|---|---|---|---|---|---|---|
| | July 29, 2000 | | | July 31, 1999 | | |
| | (in thousands, except per share amounts) | | | | | |
| | Income | Shares | Per Share Amount | Income | Shares | Per Share Amount |
| **Basic Earnings per Share** | | | | | | |
| Income available to common stockholders before extraordinary loss | $13,426 | 28,750 | $0.47 | $ 13,373 | 28,257 | $0.47 |
| **Effect of Dilutive Securities** | | | | | | |
| Warrants | --- | --- | | --- | 2 | |
| Stock options | --- | 271 | | --- | 301 | |
| Preferred Securities | --- | --- | | --- | 3,208 | |
| Convertible Debentures | 658 | 2,404 | | 284 | 1,092 | |
| **Diluted Earnings per Share** | | | | | | |
| Income available to common stockholders before extraordinary loss | $14,084 | 31,425 | $0.45 | $ 13,657 | 32,860 | $0.42 |

| | Six Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | July 29, 2000 | | | July 31, 1999 | | |
| | (in thousands, except per share amounts) | | | | | |
| | Income | Shares | Per Share Amount | Income | Shares | Per Share Amount |
| **Basic Earnings per Share** | | | | | | |
| Income available to common stockholders before extraordinary loss | $24,708 | 28,735 | $0.86 | $28,128 | 27,222 | $1.03 |
| **Effect of Dilutive Securities** | | | | | | |
| Warrants | --- | --- | | --- | 2 | |
| Stock options | --- | 172 | | --- | 304 | |
| Preferred Securities | --- | --- | | 1,297 | 4,165 | |
| Convertible Debentures | 1,314 | 2,404 | | 285 | 546 | |
| **Diluted Earnings per Share** | | | | | | |
| Income available to common stockholders before extraordinary loss | $26,022 | 31,311 | $0.83 | $29,710 | 32,239 | $0.92 |

## 3. Long-Term Debt

The following summarizes long-term debt outstanding at July 29, 2000:

| | (in thousands) |
|---|---|
| Mortgage | $ 3,312 |
| Convertible Debentures, net | 113,383 |
| Total debt | 116,695 |
| Less current portion | 1,349 |
| Total long-term debt | $ 115,346 |

## 4. Enterprise-wide Operating Information

The Company is a specialty retailer of women's apparel, shoes, and accessories. Given the economic characteristics of the store formats, the similar nature of the products sold, the type of customer and method of distribution, the operations of the Company are aggregated into one reportable segment. The Company believes that the customer base for its stores consists primarily of relatively affluent, fashion-conscious women from the ages of 25 to 55, and that the majority of its customers are working women with limited time to shop.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Results of Operations

| | Quarters Ended | | Six Months Ended | |
|---|---|---|---|---|
| | July 29, 2000 | July 31, 1999 | July 29, 2000 | July 31, 1999 |
| Number of Stores: | | | | |
| Open at beginning of period | 421 | 371 | 405 | 365 |
| Opened during period | 13 | 16 | 30 | 27 |
| Expanded during period* | --- | 2 | 2 | 2 |
| Closed during period | 4 | --- | 5 | 5 |
| Open at end of period | 430 | 387 | 430 | 387 |
| Type of Stores Open at End of Period: | | | | |
| Ann Taylor stores | | | 319 | 313 |
| Ann Taylor Loft stores | | | 98 | 62 |
| Ann Taylor Factory Stores | | | 13 | 12 |

* *Expanded stores are excluded from comparable store sales for the first year following expansion.*

### *Quarter Ended July 29, 2000 Compared to Quarter Ended July 31, 1999*

The Company's net sales in the second quarter of 2000 increased to $306,252,000 from $265,747,000 in the second quarter of 1999, an increase of $40,505,000 or 15.2%. The increase is attributable to the opening of new stores and an increase in comparable store sales of 3.1%. Management believes that the comparable store sales increase was primarily attributable to generally favorable customer reaction to the Company's product offerings and merchandise assortment and to the success of the Company's end-of-season promotion.

Gross profit as a percentage of net sales decreased to 47.0% in the second quarter of 2000 from 47.4% in the second quarter of 1999. This decrease in gross margin primarily reflects strong initial markups attained through ongoing efficiencies achieved through the Company's sourcing division, offset by aggressive end-of-season markdowns during the second quarter of 2000.

Selling, general and administrative expenses represented 37.9% of net sales in the second quarter of 2000, compared to 36.8% of net sales in the second quarter of 1999. Selling, general, and administrative expenses in the second quarter of 2000 included approximately $1,300,000 of expenses relating to the development of the Company's proposed Internet e-commerce web site, and also reflected increases in tenancy and Ann Taylor Loft store operations expenses as a percentage of net sales, offset in part by leverage achieved on certain other expenses as a result of increased sales.

As a result of the foregoing, the Company had operating income of $24,999,000, or 8.2% of net sales, in the second quarter of 2000, compared to operating income of $25,384,000, or 9.6% of net sales, in the second quarter of 1999. Amortization of goodwill was $2,760,000 in both the second quarter of 2000 and the second quarter of 1999. Operating income, without giving effect to goodwill amortization in either year, was $27,759,000, or 9.1% of net sales, in the second quarter of 2000 and $28,144,000, or 10.6% of net sales, in the second quarter of 1999.

Interest income was $806,000 in the second quarter of 2000 compared to $1,397,000 in the second quarter of 1999. The decrease was primarily attributable to lower cash on hand as a result of the Company's use of cash to repurchase shares of its common stock during the third and fourth quarters of Fiscal 1999.

Interest expense was $1,830,000 in the second quarter of 2000 and $2,660,000 in the second quarter of 1999. The decrease in interest expense was primarily attributable to the net reduction in the Company's outstanding long term debt and other obligations and a decrease in the interest rate borne by the Company's remaining outstanding long term debt. During the second quarter of 1999, AnnTaylor Finance Trust, the Company's special purpose finance trust, redeemed its 8½% Company Obligated Mandatorily Redeemable Convertible Preferred Securities ("preferred securities"), and AnnTaylor, Inc., a wholly owned subsidiary of the Company ("Ann Taylor"), redeemed its 8¾% Subordinated Notes Due 2000 ("8¾% Notes"). These redemptions were completed using, in part, the proceeds from the issuance by the Company, also during the second quarter of 1999, of its deep discount Convertible Subordinated Debentures due 2019 ("Convertible Debentures"), which bear interest at a rate of 3.75% per annum.

The income tax provision was $10,536,000, or 44.0% of income before income taxes, in the second quarter of 2000, compared to $10,755,000, or 44.6% of income before income taxes and extraordinary loss in the second quarter of 1999. The effective income tax rate for both periods was higher than the statutory rate primarily as a result of non-deductible goodwill amortization.

The redemption of the outstanding 8¾% Notes on July 22, 1999 resulted in an extraordinary charge to earnings in the second quarter of 1999 of $962,000, net of income tax benefit, or $0.03 per share on a diluted basis.

As a result of the foregoing factors, the Company had net income of $13,426,000, or 4.4% of net sales, for the second quarter of 2000, compared to net income of $12,411,000, or 4.7% of net sales, for the second quarter of 1999.

AnnTaylor Stores Corporation conducts no business other than the management of Ann Taylor.

***Six Months ended July 29, 2000 Compared to Six Months ended July 31, 1999***

The Company's net sales in the first six months of Fiscal 2000 increased to $583,320,000 from $515,147,000 in the first six months of Fiscal 1999, an increase of $68,173,000 or 13.2%. The increase is attributable to the opening of new stores and the expansion of existing stores and an increase in comparable store sales of 1.4%.

Gross profit as a percentage of net sales increased to 50.1% in the first six months of 2000 from 49.9% in the first six months of 1999. This increase in gross margin primarily reflects improvements made in the Company's sourcing, merchandising and inventory management processes, which resulted in higher initial mark-ups and higher gross margins achieved on full price sales compared to the first six months of 1999 partially offset by aggressive end-of-season markdowns during the second quarter of 2000.

Selling, general and administrative expenses, excluding certain nonrecurring expenses described below, were 39.7% of net sales in the first six months of 2000, compared to 38.0% of net sales in the first six months of 1999. Selling, general, and administrative expenses for the first six months of 2000 included approximately $3,300,000 of expenses relating to the development of the Company's proposed Internet e-commerce web site. Selling, general and administrative expenses as a percentage of net sales also reflected increases in tenancy expenses, and increases in Ann Taylor Loft store operations expenses and marketing expenses, in support of the Company's strategic initiatives to enhance the Ann Taylor brand, offset in part by leverage achieved on certain other expenses as a result of increased sales. The Company incurred a pre-tax nonrecurring charge of approximately $8,500,000 during the first quarter of fiscal 2000 in connection with an extensive review conducted with the Company's financial and legal advisors of various strategic approaches to enhance shareholder value.

As a result of the foregoing, the Company had operating income, after taking into account the nonrecurring charge, of $46,738,000, or 8.0% of net sales, in the first six months of 2000, compared to operating income of $56,138,000, or 10.9% of net sales, in the first six months of 1999. Amortization of goodwill was $5,520,000 in each of the first six months of Fiscal 2000 and Fiscal 1999. Operating income, without giving effect to goodwill amortization, was $52,258,000, or 9.0% of net sales, in the 2000 period and $61,658,000, or 12.0% of net sales, in the 1999 period.

Interest income was $1,270,000 in the first six months of Fiscal 2000 compared to $2,118,000 in the first six months of Fiscal 1999. The decrease was primarily attributable to lower cash on hand as a result of the Company's use of cash to repurchase shares of its common stock during the third and fourth quarters of Fiscal 1999.

Interest expense was $3,626,000 in the first six months of Fiscal 2000 and $7,702,000 in the first six months of Fiscal 1999. The decrease in interest expense was primarily attributable to the net reduction in the Company's outstanding long term debt and other obligations and a decrease in the interest rate borne by the Company's remaining outstanding long term debt. During the second quarter of 1999, AnnTaylor Finance Trust redeemed its preferred securities, and Ann Taylor redeemed its 8¾% Notes. These redemptions were completed using, in part, the proceeds from the issuance by the Company, also during the second quarter of 1999, of its Convertible Debentures, which bear interest at a rate of 3.75% per annum.

The income tax provision was $19,655,000, or 44.3% of income before income taxes, in the 2000 period, compared to $22,432,000, or 44.4% of income before income taxes and extraordinary loss, in the 1999 period. The effective income tax rate for both periods differed from the statutory rate primarily because of non-deductible goodwill amortization.

The redemption of the outstanding 8¾% Notes on July 22, 1999 resulted in an extraordinary charge to earnings in the first six months of Fiscal 1999 of $962,000, net of income tax benefit, or $0.03 per share on a diluted basis.

As a result of the foregoing factors, the Company had net income of $24,708,000, or 4.2% of net sales, for the first six months of 2000, compared to net income of $27,166,000 or 5.3% of net sales, for the first six months of 1999.

**Financial Condition**

For the first six months of 2000, net cash provided by operating activities totaled $38,213,000, primarily as a result of earnings and noncash charges offset by an increase in merchandise inventories. Cash used for investing activities during the first six months of 2000 amounted to $39,357,000, for the purchase of property and equipment. Cash provided by financing activities during the first six months of 2000 amounted to $665,000, primarily as a result of the issuance of Company common stock under the Company's Associate Discount Stock Purchase Plan.

Merchandise inventories were $154,691,000 at July 29, 2000, compared to inventories of $140,026,000 at January 29, 2000. Merchandise inventories at July 29, 2000 and January 29, 2000 included approximately $28,095,000 and $22,959,000, respectively, of inventory associated with the Company's sourcing division, which is primarily finished goods in transit from factories.

At July 29, 2000, there were no borrowings outstanding under Ann Taylor's $125,000,000 senior secured revolving credit facility ("the Credit Facility"). Loans outstanding under the Credit Facility at any time may not exceed $50,000,000. Maximum availability for loans and letters of credit under the Credit Facility is governed by a monthly borrowing base, determined by the application of specified rates against certain eligible assets.

For Fiscal 2000, the Company's capital expenditures, which are primarily attributable to the Company's store expansion, renovation and refurbishment programs, and investment in information systems, are expected to total approximately $83,000,000. These expenditures also include increased capital expenditures related to the Company’s proposed Internet e-commerce web site and related to enhancements to the material handling system at the Company's distribution center. For the six months ended July 29, 2000, capital expenditures of $39,357,000 were incurred. During the first six months of Fiscal 2000, the Company opened 3 new Ann Taylor stores and 27 Ann Taylor Loft stores, including 1 location that was converted from an Ann Taylor store. In addition, the Company completed the expansion of 2 Ann Taylor stores. For the full fiscal year 2000, the Company expects to open a total of 18 new Ann Taylor stores and 62 Ann Taylor Loft stores (including 2 Ann Taylor stores being converted to Ann Taylor Loft stores), and to expand or relocate a total of 4 Ann Taylor stores.

For Fiscal 2001, the Company expects its capital expenditures to total approximately $98,000,000, which are primarily attributable to the Company’s store expansion, renovation and refurbishment programs, and investment in information systems. In Fiscal 2001, the Company expects to open approximately 20 Ann Taylor stores and 70 Ann Taylor Loft stores.

In order to finance its operations and capital requirements, the Company expects to use internally generated funds, trade credit and funds available to it under the Credit Facility. The Company believes that cash flow from operations and funds available under the Credit Facility are sufficient to enable it to meet its on-going cash needs for its business, as presently conducted, for the foreseeable future.

On May 18, 2000, the Board of Directors of the Company adopted a Stockholder Rights Plan, pursuant to which Rights were distributed as a dividend at the rate of one Right for each share of Common Stock of the Company held by stockholders of record as of the close of business on May 30, 2000. Each Right entitles stockholders to buy one unit of a share of a new series of preferred stock for $125. The Rights generally are exercisable only if a person or group acquires beneficial ownership of 15% or more of the Voting Power of the Company as represented by the Company’s Common Stock or commences a tender or exchange offer upon consummation of which such person or group would beneficially own 15% or more of the Voting Power of the Company as represented by the Company’s Common Stock. The Rights will expire on May 18, 2010.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and

Hedging Activities" ("SFAS No. 133"). SFAS No. 133 establishes accounting and reporting standards for derivative instruments including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends upon the intended use of the derivative and resulting designation if used as a hedge. SFAS No. 133, as amended by SFAS No. 137 "Deferral of the Effective Date of SFAS No. 133", is effective beginning January 1, 2001. Management evaluated the impact of the statements and their adoption did not materially affect the Company's consolidated financial position, results of operations or cash flows.

**Statement Regarding Forward Looking Disclosures**

Sections of this Quarterly Report on Form 10-Q, including the preceding Management's Discussion and Analysis of Financial Condition and Results of Operations, contain various forward looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, with respect to the financial condition, results of operations and business of the Company. Examples of forward-looking statements are statements that use the words "expect", "anticipate", "plan", "intend", "project", "believe" and similar expressions. These forward-looking statements involve certain risks and uncertainties, and no assurance can be given that any of such matters will be realized. Actual results may differ materially from those contemplated by such forward looking statements as a result of, among other things, failure by the Company to predict accurately customer fashion preferences; a decline in the demand for merchandise offered by the Company; competitive influences; changes in levels of store traffic or consumer spending habits; effectiveness of the Company's brand awareness and marketing programs; lack of sufficient customer acceptance of the Ann Taylor Loft concept in the upper-moderate-priced women's apparel market; general economic conditions that are less favorable than expected or a downturn in the retail industry; the inability of the Company to locate new store sites or negotiate favorable lease terms for additional stores or for the expansion of existing stores; lack of sufficient consumer interest in an Ann Taylor Internet website; a significant change in the regulatory environment applicable to the Company's business; an increase in the rate of import duties or export quotas with respect to the Company's merchandise; financial or political instability in any of the countries in which the Company’s goods are manufactured; or an adverse outcome of the litigation referred to in Note 5 to the Consolidated Financial Statements of the Company as of January 29, 2000, that materially and adversely affects the Company's financial condition. The Company assumes no obligation to update or revise any such forward looking statements, which speak only as of their date, even if experience or future events or changes make it clear that any projected financial or operating results implied by such forward-looking statements will not be realized.

## PART II. OTHER INFORMATION

### Item 4. Submission of Matters to a Vote of Security Holders

As reported in the Company’s Quarterly Report on Form 10-Q for the quarterly period ended April 29, 2000 (the “First Quarter 10-Q”), AnnTaylor Stores Corporation's 2000 Annual Meeting of Stockholders was held on May 18, 2000. The information set forth in Part II, Item 4 of the First Quarter 10-Q with respect to the matters voted upon and approved by the Company's stockholders at the meeting is incorporated herein by this reference.

### Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

| | |
|---|---|
| 27 | Financial Data Schedule |

(b) Reports on Form 8-K:

The Company filed a report dated June 21, 2000 with the Commission on Form 8-K on June 26, 2000, reporting that the United States Court of Appeals for the Second Circuit vacated the dismissal of the amended complaint in the purported class action lawsuit against the Company, Ann Taylor, certain present and former directors and officers of the Company and Ann Taylor and Merrill Lynch & Co. and certain of its affiliates (*Novak v. Kasaks, et al.,* No. 96 CIV 3073 (S.D.N.Y. 1996)).

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**AnnTaylor Stores Corporation**

Date: September 8, 2000

By: /s/ J. Patrick Spainhour
J. Patrick Spainhour
Chairman and Chief Executive Officer

Date: September 8, 2000

By: /s/ Barry Erdos
Barry Erdos
Executive Vice President - Chief Financial Officer and Treasurer